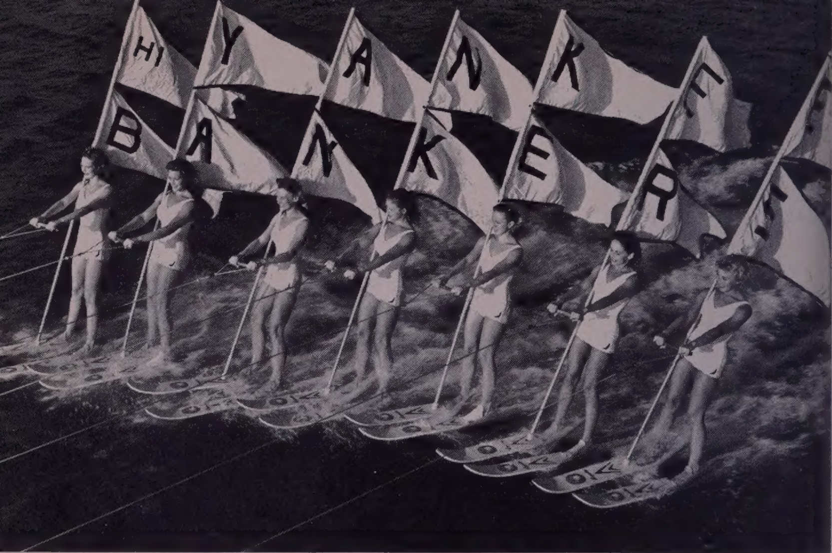
anuary 21, 1959

Investor's Reader

For a better understanding of business news

CHAMPION MAKES CHASE MANHATTAN NEWS (see page 25)



FLORIDA POWER DOES IT AGAIN

For public relations in public utilities, few companies can match the stand-out performance of Florida Power Corp. This may reflect the company's hometown of St Petersburg which calls itself the Sunshine City and dotes on bathing beauties, silver king and tourist gold.

But Florida Power's public relations policy is built on a foundation as solid as its newest 120,000-kw Paul L Bartow power plant. At every opportunity the company proclaims: "We believe that an investor-owned utility has a business responsibility and a social responsibility * * * Never will we grow too big to be friendly."

A few weeks ago the company was being friendly to a large group of "Yankee Bankers" (see picture) who were invited on a special inspection tour of company facilities and especially its customers and potential. The latest trip was an encore for a similar jaunt nine years ago. On both excursions the bankers were impressed by a powerhouse of plus signs:

In the past five years alone customers have increased 50% to 253,000, revenues have almost doubled to $57,000,000, net profits available for the common stock have soared 150% to $10,125,000 or $1.20 a share for 1958. Investors have kept a close tab on these affairs since the common sparked from 9 to 29 in five years (adjusted for the recent 3-for-1 split).

On the recent bankers tour, company president Bill Clapp (IR, Sept 18, 1957) predicted 1959 earnings may ease a nickel a share from last year's record results. However he also reminded his Wall Street guests of "hopelessly optimistic forecasts" made a decade ago which were proved "hopelessly pessimistic" by actual developments.

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BUSINESS AT WORK

NATIONAL ECONOMY
Credit Comer

THE credit card craze (IR, December 10) which got underway with the promise of a single all-inclusive charge card is evolving into a whole billfold-full of specialties. Latest entrant is the Sports Credit Card Corp's ski charge. For the $6 annual fee seemingly favored by new credit clubs, the skier can charge a flurry of services — equipment, transportation, food, lodging, lift tickets, lessons—in fact, practically everything except the doctor's bill.

AGRICULTURE
Purina and the Livestock

AFTER 65 years of helping to make US animals the best fed anywhere, big feed and cereal producer Ralston Purina Company issued some interesting figures in its 1958 annual report. It compared the capabilities of today's well-nourished animal with those of the 1930 generation. Happily for the farmer, a little scientifically prepared feed goes a lot further these days than it did almost 30 years ago. Happily for Purina, many more farmers now use the formula feed than in 1930.

Purina reported the 1958 hen consumed less than 64 pounds of feed but laid 202 eggs; her 1930 forebear needed 74 pounds of nourishment to lay 122 eggs. A modern hog will eat 660 pounds of feed to reach a 200-pound weight in five months; his 1930 ancestor had to gobble 1,020 pounds to reach the same weight in eight months. A chicken now reaches a 3.2 pound weight in nine weeks with only eight pounds of feed *v* twelve weeks and 16 pounds of feed in 1930. Finally a cow now eats slightly less than 22 pounds a day to gain three pounds daily. In 1930 the same amount of food added only two pounds a day to her girth.

The scientific feed also padded

Purina's financial girth. In the year ended September 1958 sales rose 13% to a peak $494,000,000 while earnings reached a record $17,470,000 or $2.71 a share *v* $14,570,000 ($2.28) in 1957. So far fiscal 1959 continues the trend. Final figures are not out but president Raymond E Rowland has predicted a record first quarter. He added October and November were both prosperous months while December appeared to be the best month in the history of the company. Well nourished by this good news Purina's 6,000,000 shares currently trade at 51 over-the-counter, more than double the 1958 low of 25.

RAILROADS

C&O Fiscal Flash

FOR THE THIRD year the coal-hauling Chesapeake & Ohio Railway high-balled to tally its debits & credits, release its "flash annual report" on the first working day of the New Year. On January 2, the 93,000 stockholders of the No 7 railroad (in revenues) received the New Year's greeting: "The year just ended produced the fourth-best net income in C&O history."

Despite the recession, earnings held at $52,000,000 ($6.36 a share) *v* $68,000,000 ($8.36 a share) in record-breaking 1957. This showing was "almost equal to the average of the previous five years [$56,-000,000], the best earnings period C&O has experienced." Better still, the report signaled for this year: "At the end of the year traffic and earnings were moving upward encouragingly."

TRANSPORTATION

Eastern Rebellion Threatens to Derail Railway Express

ONE OF the nation's best-known corporations, Railway Express Agency Inc, may be headed for the end of the line. Reason for this possible one-way ticket: late last month the New York Central, owner of the biggest chunk (14%) of Railway Express stock, served notice it would pull out of the agency as of January 1, 1960. At the same time the Pennsylvania Railroad (owner of 12% of Railway Express stock) and other Eastern roads confirmed they too consider withdrawal. If they do pull out it will mean almost certain death for the Agency, at least in its present form.

Railway Express is entirely owned by 67 railroads which combined in 1928 to buy the operations of American Railway Express, a Government-supervised War I consolidation of seven express companies. The rail owners divided the 999 Railway Express shares—sold for $100 each—among them. Base for the agency's functions is a 20-year "operations agreement" (next expiration date: December 31, 1973) with 177 railroads—including the stockholders. Supplementing this are separate agreements with 33 other shortline roads, 35 airlines, eleven barge & ship operators, hundreds of truckers.

Under the terms of the major operations agreement any of the 177 participating railroads may withdraw after December 31, 1958. The first departing member was required to give 18 months notice; other

Truck-to-train loading at Hoboken, NJ Express terminal

roads could then leave on the same date after twelve months warning.

The initial Express exit was quietly signaled last June when two small non-passenger railroads, the Peoria & Eastern (significantly controlled by New York Central) and the Georgia & Florida, announced they would cancel their contracts at the end of 1959. Their decision would hardly cause serious damage to Express operations; it did however open the way for the Central's subsequent announcement it would detrain at the same time. The other Eastern roads may leave on the same date. At their pointed request all the railroads approved in late December an amendment to the agreement which postpones the deadline for withdrawal notices until April 30.

Railroad officials hope by that date a new system of allocating Agency expenses and revenues can be worked out to the satisfaction of the Eastern roads which carry over 50% of Railway Express freight. These lines feel the present allocation works against them.

As it now stands, the Agency divides its operations into four geographical areas: Eastern, Southern, Western and Mountain Pacific. In each of these districts it subtracts its local expenses from revenues, divides the residue among the area's railroads. Out of these distributions, the roads must meet their costs of transporting the Express shipments —and make up excess costs out of their own pocket.

Lines operating in the congested, high-cost East would prefer some sort of inter-sectional pooling to give them a bigger share of the distributions. If the Eastern roads cannot be placated, their withdrawal could be fatal to the Agency. Judges Chicago & Eastern Illinois chief Clair M Roddewig, president of the Association of Western Railways which met Christmas week to dis-

cuss the Agency's future: "Continuation of Railway Express in its present form without participation by the Eastern roads would be an impractical arrangement."

At the root of the railroad disenchantment with Railway Express are money problems stemming from declining shipments and mounting costs. This was highlighted back in 1957 when the agency asked the Interstate Commerce Commission for a 15% rate increase: "The Railway Express deficit is presently accruing at about $72,700,000 annually, with no consideration for a return on the roads' investment in Express services."

This deficit is of course suffered by most of the participating railroads. Railway Express itself has no profits or losses since it simply subtracts its costs from revenues before paying the balance to the carriers. Only a few Western lines show a profit on Express business. For instance the New York Central complained Railway Express operations cost over $21,000,000 in 1957 while it received just slightly over $10,000,000 in agency payments — an $11,000,000 loss.

As Railway Express president Alfred Hammell recently summed up his agency's plight: "Like our owners, the railroads, we feel problems of Government regulation, labor, taxation and inflation, which are raising all of our costs. And we face the severest competition from other forms of transportation that has ever existed in this field." Toughest competition comes from truckers and the US Post Office's subsidized parcel post service which is the Agency's pet peeve. One Railway Express spokesman complains: "For every dollar spent by parcel post shippers the US taxpayer contributes 32¢. We must pay taxes to help support a major competitor." He points out when Congress authorized parcel post in 1913 it stipulated the service should be self-supporting and should supplement not compete with private enterprise.

Originally the parcel post limit was eleven pounds. Now the Post Office will accept packages up to 40 pounds for some destinations, is in direct competition with Railway Express which will carry "just about anything which fits into a railway car." Some unusual examples: Bertie the Hippo was expressed from New York to a Denver zoo; ten cows and a bull were consigned for shipment to Pope John XXIII as a gift from a group of Iowa farmers.

However, ubiquitous Express' shipping versatility has not been enough to stem sliding volume. In 1952 the Agency carried some 96,000,000 shipments; by 1957 the tally had dwindled to 74,000,000. Last year totals ran at about the same level. The decline in gross revenues—from $403,000,000 in 1952 to $368,000,000 in 1957 — has been somewhat less steep because of rate increases. In the first ten months of 1958, estimated gross revenues of $304,000,000 were even a little ahead of the $297,000,000 in 1957 when a strike depressed operations.

But rate gains have been lost by even faster mounting costs. For instance despite a rise in gross rev-

enues, higher expenses cut Railway Express payments to railroads from $124,000,000 in 1956 to $100,000,000 in 1957. In the first ten months of 1958 the payout declined again to an estimated $76,300,000 from $80,480,000 in the same period of 1957.

The Agency has not sat by idly. President Hammell points out "as long as the nation's population continues to grow and its economy to expand, I am sure there will be an increasing need for Express service * * * In recent years we have adopted large scale measures to keep in tune with these fast-moving times. We have analyzed our operations and have made large capital investments in new and modern equipment. Our entire executive organization has been streamlined and we employ the newest techniques to strengthen our ties with shippers." For instance two years ago the agency inaugurated world "thruway" shipping which now offers direct service to 38 countries. This operation brought in $2,180,000 in the first seven months of 1958 compared to $255,000 for the like 1957 period.

In 1955 Railway Express embarked on a five-year, $72,000,000 modernization program which is now largely completed. The program includes $22,000,000 for rail refrigerator cars; $45,000,000 for new trucks and other vehicles; $5,000,000 for handling equipment such as high speed "electro-automated" assorter-conveyor belts.

Whatever the future holds for the Railway Express, one thing is certain—more changes will be made. One Agency director, who is also an official of a major railroad, ventures: "If Railway Express continues it will be on a radically different basis."

Most radical of course would be a full halt. If the Eastern and then the Western and Southern roads should decide to pull out, the Agency might be dissolved as provided in its operations agreement with the railroads. It must sell any buildings on the land of an individual railroad to that railroad. The rest of the property & equipment can be sold with no strings attached. After repayment of all other liabilities, the balance would be distributed to stock and capital debt holding railroads. However as things stand now if the roads get any surplus at all it would probably not be enough to make any noticeable difference to their own stockholders.

Or the service provided by Railway Express might be continued through sale of the Agency's assets to a freight forwarder (a firm which specializes in picking up small shipments, consolidates them into carload lots and routes them to their destination).

There is even some talk the Post Office's parcel post service might take over Express business though this will hardly please fighters against the postal deficit.

A big uncertainty is what would happen to Air Express which now operates semi-autonomously. Railway Express has a special five-year agreement with the airlines; the current contract expires this July. Some of the Air Express profits which remain after deducting expenses eventually turn up in the revenue

pool which is distributed to the railroads.

But the biggest uncertainty concerning any drastic division of Railway Express operations is the reaction of the Interstate Commerce Commission. Especially so since no one is quite sure just how much authority the Commission has (or would choose to exert) in the case.

RETAIL TRADE
Catalog Counter

IN THE highly price-conscious world of retail trade, mail order catalog price tags are figured with extra fine pencils as they must be maintained for almost half a year ahead. Hence new catalog issues are avidly studied by retailers and economists for hints of trends to come.

Just before New Year's, the industry leaders mailed their Winter sale catalogs. However these books are chiefly the mail order house way of running post-Christmas clearance sales. No 1 merchant Sears, Roebuck set the pace with prices averaging 13% below its Fall-Winter book. No 2 cataloguer Montgomery Ward marked 16,000 items down an average of 10%. But those prices are often on specially-purchased items and in effect only until early Spring.

The heavy Spring-Summer catalogs mailed out a week or so later (with prices good till early June) made much more important reading. Sears announced cuts in all categories except appliances with the largest reductions in home furnishings and wearing apparel. On the average, prices were listed as 1% below the 1958 Spring-Summer level. No 3 mail-seller Spiegel Inc came out with Spring-Summer prices 2-to-2½% below a year ago.

However, Monkey Ward stated its Spring-Summer prices averaged eight-tenths of a percent higher than its Fall-Winter book, 1.3% above its catalog schedule of a year ago. While it thus moved counter to its fellow merchants (presumably in an effort to strengthen margins) the sum of the mail order evidence suggested any shift in early 1959 prices would be small in either direction.

But the volume may be big. Last week Sears happily reported total sales for December alone topped half a billion, a hefty 13% better than the same 1957 month. Monkey Ward also had a good December with sales up 10% to $165,000,000.

MANUFACTURING
Ekco

FOR ALMOST three-quarters of a century Ekco Products of Chicago has supplied pots & pans for American kitchens. In the process, Ekco has grown from a small tinsmith business into a leading position as a manufacturer of housewares, builder's hardware and commercial baking equipment sold under the trade names Flint, Ekco, etc. The ware is sold to leading chain, mail order and department stores.

Although Ekco has been equipping cooks since 1888, its greatest growth has been accomplished in the past decade. Since 1948 volume expanded from $30,800,000 to a peak $64,500,000 in 1955. However, in 1956 volume drained to

$57,400,000, came back a bit to $59,900,000 in 1957. Profits, which totaled only $1.66 a share in 1949, hit a peak of $3.78 in 1955 and an almost as good $3.77 in 1956 but dulled to $2.68 a share in 1957.

Medium-sized Ekco ($49,000,000-assets) manufactures a 3,000-plus product line in some 30 divisions and subsidiaries scattered throughout the US, Canada, Britain and Mexico. Half of its volume comes from pots, pans, etc, another 25% is in equipment for commercial bakers, the rest from builder's hardware.

Ekco has polished and added to its wares with a busy expansion and diversification program. Its policy: to buy a related going business whose product line can be advertised, merchandised and sold by the existing Ekco sales staff. In 1956 it acquired industrial lighting fixture maker Ruby Lighting of Los Angeles and sliding door hardware producer Kennatrack Corp of Elkhart Ind; in 1957 it picked up Worley & Company of Pico Cal, manufacturer of steel lockers and shelving and can opener maker Emro Manufacturing. Moreover in 1956 Ekco teamed with Alcoa Containers of Wheeling Ill to fabricate aluminum foil. Sales from the Ekco-Alcoa venture should reach $9,000,000 for 1958 while net is expected to be 80% ahead of 1957.

The company also has some projects on the fire abroad. It holds a 68% stake in kitchen tool maker Prestige Group Limited of Britain and reports profits for the nine months ended September are "in excess of its full-year earnings in 1957." Its Canadian subsidiary Ekco Products Canada should post sales and earnings up from 1957. The Mexican company is just about breaking even but expects improvement in 1959.

Ekco one-hand beater

During the past few months Ekco's expansion program has begun to show up in financial reports. The company announced third quarter sales ended September 1958 improved to $15,000,000 compared to $12,500,000 in the second quarter and $14,000,000 in the first quarter. Net came to 65¢ *v* 44¢ in the second quarter and 52¢ in the first. And company officials report: "With a backlog of orders in excess of 1957, estimated full-year sales for 1958 are only some 5% below 1957's $59,900,000. Earnings are figured to be down about 33¢ a share from 1957."

SHIPPING
Bath Basks

THE KENNEBEC RIVER in Maine claims the distinction of birthplace of US shipbuilding which started in its delta more than 350 years ago. Today the sole surviving Kennebec shipyard is the Bath Iron Works. Though not one of the original settlers, the $33,000,000-assets veteran dates back to the mid-nineteenth century, is one of the oldest shipbuilding companies in the US.

Among the famous craft which went down the Bath ways were the *Winifred*, the first ocean-going American tramp steamer; the *Wadsworth*, the Navy's first geared turbine vessel; J P Morgan's famous *Corsair*. It also built *Ranger*, the brilliant 1937 America's Cup defender and the last Class J sloop ever built. During War II Bath built almost one-fourth of all the destroyers constructed for the Navy.

Today the staid Yankee remains primarily a Navy contractor with more than 95% of its volume derived from Government vessels, primarily destroyers. Remaining revenues come mostly from the Pennsylvania Crusher division which was acquired in the early postwar years when Naval contracts were lean pickings. Pennsylvania makes hammermills and other crushing equipment which it sells to the cement, coke, coal and bauxite industries.

As a Navy contractor Bath has benefited from the big postwar defense budgets. While far from the war peak of $118,000,000 in 1943, revenues have expanded 2½ times in the past ten years to $46,700,000 in 1957, are figured "slightly higher" for the year just ended.

Profitwise Bath has not fared as well. Net income reached a postwar high of $2,810,000 or $6.17 a share in 1956, fell to $2,140,000 ($5.11) in 1957. Bath president John R Newell explains: "We had an unusually good 1956. We closed out four major contracts with better than expected results."

For the year just ended the 46-year-old president calculates "earnings were off again somewhat." He cites "keener competition for existing Navy business and resulting lower profit margins. There have been a lot of newcomers bidding on Navy business and that has made it tough." Also, "like all capital goods suppliers the crusher division felt the recession. However things are beginning to pick up and it is doing reasonably well."

As for 1959, president Newell looks for "a satisfactory year. Competition will continue stiff with lower margins but eventually some of the newcomers may find it not so easy." One company which already bowed out of Navy work last year: Great Lakes-based American Ship Building. Reflecting the stiff weather and uncertain barometer, the 400,000 shares of Big Board-listed Bath common now trade around 53, almost 20 points below the peak scored in 1955.

Many Wall Streeters figure Bath has limited growth prospects due to its heavy dependence on Navy work. But the company has no current intentions of diversifying further. Says John Newell: "We feel there

is a good future in Navy work. The War II fleet is getting old and in need of replacements. With the problem of anti-submarine warfare we will need destroyer types in large numbers. Of course everything costs so much it's getting harder & harder to stretch defense dollars. So while we are not actively seeking diversification if something good comes along we will certainly look at it."

Wall Streeters also figure Bath might do well to take on some commercial business which is often steadier and certainly more profitable than defense work. However New Englander Newell maintains: "We do keep commercial work in mind and bid from time to time on commercial contracts but essentially we're geared around Navy work and as long as there is enough to keep us busy we'll stick to it."

Certainly for the present there is enough to keep Bath well occupied. At the end of the year company backlog totaled a hefty $150,000,000, up almost 80% since September. The big boost is thanks to a $72,000,000 contract landed in November for three missile frigates plus an additional $9,000,000 to prepare plans for the new class.

CONTAINERS

Anchor Hocking Record

THIS WEEK 5,000 common stockholders of Anchor Hocking Glass Corp will slice a mid-Winter melon as the 100% stock distribution voted by directors in mid-December becomes effective. An added sweetener: quarterly dividends on the newly split shares will be 30¢—equal to 60¢ on the old stock which up to last Fall had paid only 50¢ a quarter. However holders were given an immediate foretaste of the extra cash when the final (December 30) dividend on the old stock was upped to 60¢—with a 20¢ year-end extra thrown in for good measure.

All these helpings of good news fattened the Big Board price of Anchor Hocking (pre-split) shares from 68 in mid-December to a recent alltime high of 80¾. This doubles the price tag of 40 which prevailed at the close of 1957.

Anchor Hocking is the result of fusion of a number of venerable glass and cap companies (one ancestor was organized back in 1873). The major consolidation came in 1937 when Anchor Cap Corp acquired all the assets of Hocking Glass.

With headquarters and main plants in quiet little Lancaster, Ohio, Anchor Hocking is now the world's largest manufacturer of glass tableware. It also makes glass containers, metal and plastic closures and capping machines. Glassware and dinnerware accounts for about half of total sales (estimated 1958 volume: $129,000,000); containers make up most of the remainder. Products range from glass kitchenware to cut glassware to beer bottles and containers for drugs, foods, chemicals and toiletries.

The company has achieved its position by emphasis on engineering and quality control. Its huge Lancaster laboratory has many subsections including a bacteriological unit available to all glass packer

customers. This unit seeks to determine and correct the causes of food spoilage, solve problems of sterilization, processing and fermentation.

Anchor Hocking is noted for its healthy finances. It has no funded debt and only 49,700 shares of $4 preferred stock (which are gradually being redeemed at $107 a share) ahead of the common. In the past ten years over $30,000,000 worth of expansion has been financed largely from internal sources. Anchor now blows glass in 13 US plants and one Canadian facility; still another new glass container factory in San Leandro, Cal will be completed this year.

Since War II sales and income have climbed steadily. In 1957 volume was $125,000,000 *v* $62,200,000 in 1947, while in the same ten years earnings swelled to $6,990,000 from $3,160,000. Thanks in part to a strong demand for containers and a pickup in the tableware business in the second half of 1958, the glass maker rode out the recession with no ill effects. Earnings for 1958 are estimated at a new peak around $4.80-to-4.90, a few cents better than the previous 1957 record.

FOODS
Pillsbury Adds to its Pie

ANOTHER company to split its corporate pie is No 2 flour miller Pillsbury Company. Last week directors announced the company's 11,000 shareholders would be asked "as soon as possible" to ratify a 2-for-1 split. In addition to more shares outstanding the shareholders will get more cash: 35¢ a quarter which equals 70¢ on the old stock compared to a current 62½¢. Pillsbury shares currently sell on the Big Board at an alltime high of 81.

This pleasant dessert comes at a time when Pillsbury enjoys a feast of good results. In the fiscal year ended May 1958 volume came to a record $351,000,000, earnings fattened to a peak $5,640,000 or $5.80 a share *v* $4,007,000 ($4.04). In the six months ended November Pillsbury sales rose 3% to a record $176,000,000; net jumped 63% to a high of $4,110,000 ($4.02 on more shares outstanding).

As for the rest of fiscal 1959, Pillsbury president Paul Gerot notes: "Ours is the type of business wherein you are not able to forecast with the same degree of accuracy as a company that normally carries a heavy backlog." However in three of the past four years Pillsbury's first half profits exceeded those for the second half. Hence: "Based on the projections that our divisions have made for the second half it appears earnings will be somewhat less than the first half."

The main ingredients in the Pillsbury profits recipe are prepared mixes — pancakes, pie crust, hot rolls, cakes, cookies, biscuits—which will bring in 44% of business. The rest of the volume comes from bakery and institutional flours (23%), soybean products, poultry & livestock feeds (16%) and export sales (17%). All of these growing lines contribute nicely to the company's financial heft, so much so the Minneapolis miller will spend $8,000,000 on expansion this year and "for several years to come."

Quicker Pulse At Kendall

Tapes and Health Lines Patch Up Profits for New England Textiler

BANDAGES and adhesive tape are as common as a cut finger to most people. But probably only a few connect these helpful standbys with an old line textile house, the Kendall Company of Boston. Kendall, which has been a surgical specialist for more than half a century, is the No 2 maker (after Johnson & Johnson) of health and hygienic supplies. Its line of familiar trademarked health specialties—better known than Kendall itself—includes Curad finger bandages; Bauer & Black surgical dressings, gauzes, elastic bandages; Curity cottons and sutures; Blue Jay foot products; Bike elasticized athletic supports.

These hygienic products account for roughly 60% of Kendall volume, have been largely responsible for the relative strength of Kendall financial fibers. For instance while other textilers were badly tattered in 1957, Kendall was able to spin record sales; although earnings declined, the dip was only 2.5% compared to an overall decline of 20% or more for most other textile companies. The surgical dresser hit some snags in 1958 but still out-performed its less health-minded colleagues.

The popularity of these Kendall products is due mainly to two factors: 1) more & more folks are more & more health conscious; 2) the company is devoted to a research & development program (it is one of the few textile companies with a formalized research department) which has added practicality & style to its seemingly standardized line.

Kendall farsightedly began to increase its health line emphasis while the textile business itself was still in fine fettle. Thanks to the terrific War II materials shortage, Kendall profits, like those of its competitors, rushed to alltime highs in the early postwar period. However, Kendall treasurer Maurice L Clemence notes: "We realized these high earnings were purely transitory, so we turned our attention to further development of our health lines and our consumer specialties."

Hence ever since 1950 Kendall has steadily increased its research & development efforts. While R & D accounts for only "a little over 1% of our total sales, the figure is more imposing when you relate it just to our health and hygienic sales."

One of the most important developments to come from Kendall labs is the plastic film-backed finger bandage introduced in 1951. Treasurer Clemence offers proudly: "We led our competitors by a few months on that one and got a significant increase in our share of the consumer market." Kendall also led in introduction of prepackaged dressings for hospital and institutional use which in turn helped stabilize profits in the health field.

Another important Kendall development was the Telfa dressing, a transparent, perforated film covering which permits absorption and yet will not stick to a wound. Other

Kendall innovations: gaily decorated "Battle Ribbon" finger bandages for children, inconspicuous transparent Curad bandages for the beauty conscious, colored cotton balls to blend with boudoir decor. Maurice Clemence hails: "We've also set a style trend in our consumer health products. Our elasticized stockings are the sheerest, most attractive supporting hose yet and you don't have to use cover hose with them."

Textile Talk. Almost all of Kendall's gauze and cotton needs are produced by its seven Southern spinning and weaving mills. These also form the backbone of Kendall's textile operations, supply the grey goods (unfinished textiles) for its finishing mills. Textiles are the least profitable and least dynamic segment of Kendall business. However Maurice Clemence assures: "We are proud of our textile label. While textile stocks are not currently popular our textile operations have been continually profitable. We think of ourselves as not simply a textile house but as a manufacturer of individual products."

These individual products are a big reason for Kendall textile profits. Many of Kendall's textile goods are consumer specialty items and not dependent on any one trade or outlet. For instance the company is the No 1 manufacturer of textile nursery products. It turns out Curity diapers and an assortment of infant knitwear items which come not only in the usual white but in appealing pastels and prints. Actually Kendall prefers to classify its nursery line among its health products. In the outright textile category (not quite one-third of total volume) are included such specialties as dishtowels, polishing cloths, cheesecloths, sheetings. Kendall also makes cotton and synthetic interlinings, tobacco seed covers, other industrial fabrics.

Smallest but most dynamic segment of Kendall business is its non-textile line which has expanded from a mere 1% of sales in 1941 to more than 10% last year. Many of the non-textile products tie in with Kendall's other lines. The growing list of items includes milk filters and various non-woven fabrics under the tradename Webril which are used in the surgical, beauty and industrial fields. The Andrews-Aldefer division makes foam rubber-coated fabrics for the apparel, shoe and rug trades while pressure sensitive industrial tapes are turned out by Kendall's Polyken division.

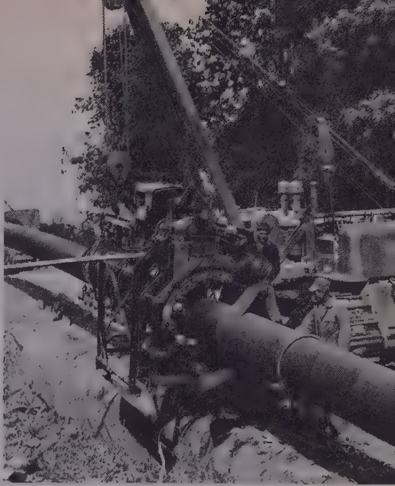
Kendall first became interested in tapes during War II. These early industrial tapes were cloth backed. But "recognizing the anti-corrosive, high-insulative and moisture transfer-resistant potentialities" of polyethylene, in 1951 "we pioneered by setting up a pilot plant to develop strength in polyethylene." Today polyethylene tape is one of Kendall's most important specialties. Trademarked "Polyken," this new super-adhesive is wrapped around electric wiring for insulation and around pipes for protection from exposure to chemicals and fumes. Recently Polyken tape went underground. After two years of trial runs on relatively small jobs, Kendall last August landed a $3,000,000 con-

tract from the Houston Texas Gas & Oil Corp to coat 1,570 miles of "Hou-Tex" pipeline with its new tape. The Baton Rouge-to-Miami line is the first big link in what Kendall hopes will be a major market.

Remarks 46-year-old Clemence: "Houston was the first big corporation to see Polyken potential. We had a hard time selling them on the idea because coating is such a small item compared to the total cost of a pipeline. Asbestos coating had always worked well but we had to prove we had enough of a bargain for them to make a change." Kendall expects "to land some additional contracts soon—with what we have we now have a stage." In fact it is so confident of its new product it recently finished a $2,000,000 tape manufacturing plant at Franklin, Ky.

Firm Finances. Such diversification has helped Kendall reinforce finances in an otherwise shaky textile year. In the nine months ended September sales dipped 6% to $69,200,000 while earnings were off to $2.01 a common share from $2.25. However almost all of the volume decline came in the first half. Despite the July loss of a substantial contract (10% of 1957 volume) to supply finished gauze to Kimberly-Clark, third quarter sales fell less than 1% while earnings came to 66¢ a share *v* 68¢ in 1957.

Full-year results have yet to be tabulated but moneyman Clemence figures: "Sales were around $103,000,000 while earnings were off less than 10%." This compares with 1957 sales of $106,800,000 and earnings of $4,005,000 or $3.80 a share. For this year he sees "sales modestly higher though we will still be absorbing some of the effects from the Kimberly-Clark loss." He expects 1959 profit margins "should be better since we expect greater volume in our higher margin items and the textile business seems to be picking up."



Polyken goes underground

Reflecting his optimism, Kendall shares which pay an annual dividend of $2 now trade in the over-the-counter market at an alltime high of 50. About two-fifths of the 1,000,000 common shares are closely held. Ahead of the common is $15,000,000 in long-term debt and 34,000 shares of $4.50 cumulative preferred. Every year canny Clemence makes a trip to Wall Street to talk Kendall, consider advantages of listing its stock. However for the present he reports: "We are very pleased with our current market and while we may list some time in the future we'll have to be sure a listed market would be as good."

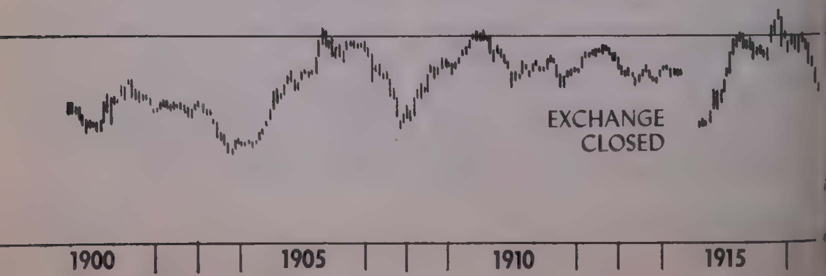
THE DOW-JONES INDUSTRIALS SINCE 1900

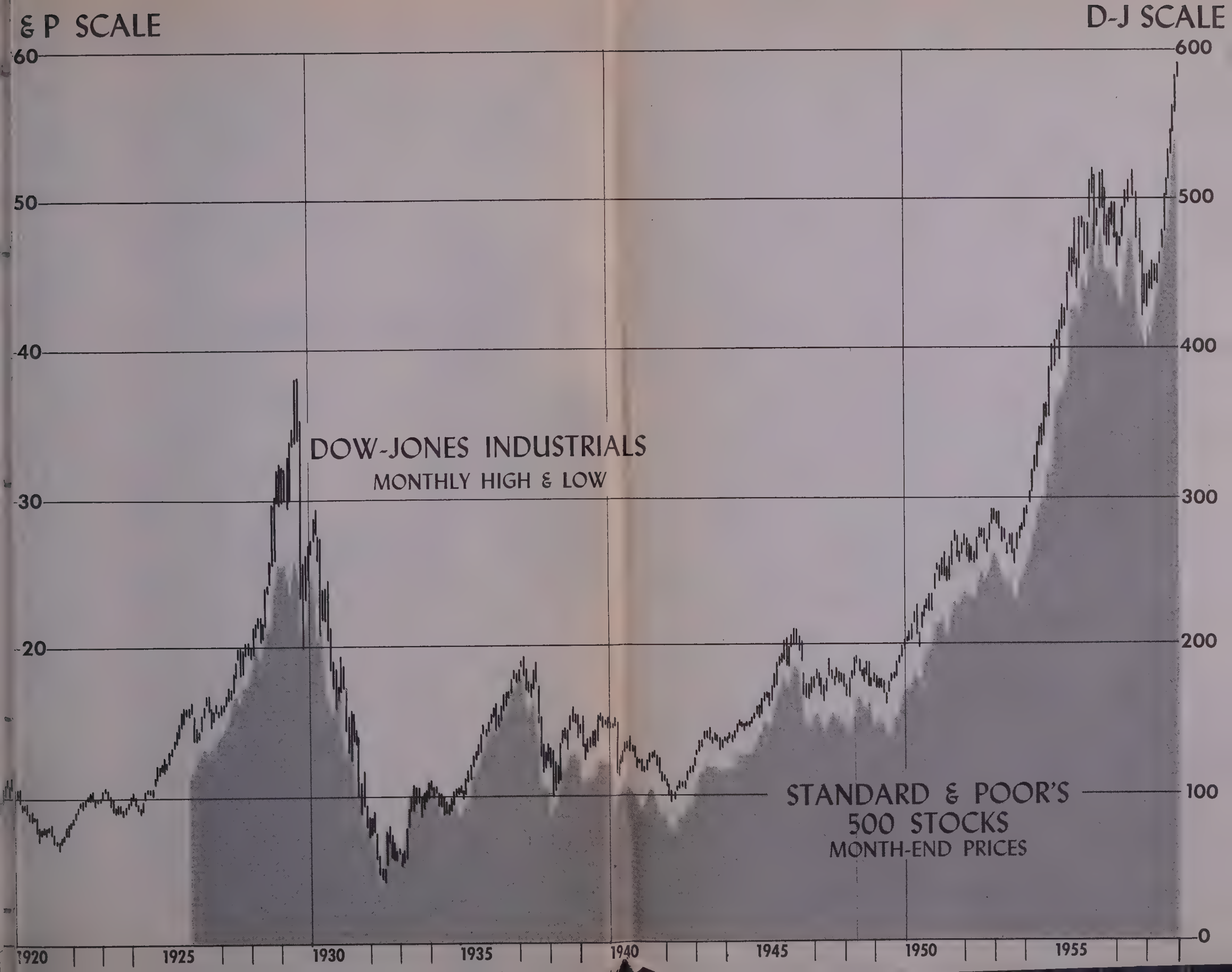
THE CHART brings up to date a 59-year record of the popular Dow-Jones industrial averages. With the market generally in an almost uninterrupted uptrend since last April, the industrials passed the old April 1956 high of 521 in September (the once fantastic-seeming 1929 peak of 381 was left behind in 1954) and since then made a series of new alltime highs. At the beginning of the new year they rushed almost to the 600 mark.

The shaded area of the chart traces the past 33 years of Standard & Poor's 500-stock composite index. Since it is based on 1941-43 = 10, it has been plotted on a scale ten times as large as the Dow-Jones for easier comparison. While the Standard 500 is a far more sophisticated index than the statistically weak Dow-Jones, the chart proves both yardsticks measure the same basic trends. Of course, in all cases "the market" actually consists of individual stocks which follow widely divergent courses of their own (see page 17).

Along with the market, trading activity has risen sharply during the past year with 1958's total New York Stock Exchange volume of 747,000,000 shares the best since the 811,000,000 shares traded in 1930. In part this reflects the greater amount of shares available for trading. During the last week of 1958, the Big Board listed its 5 billionth share, double the number outstanding seven years earlier, triple the 1946 listings and more than six times 1929. The turnover ratio last year rose to 15% from 12% in 1957. But this still means the average listed share changes hands only once every six-to-seven years and hardly bears comparison with the 119% turnover rate of 1929 (the average share changed hands every ten months), 67% in 1930 and 37% as late as 1936.

Note: Because this chart has permanent value we suggest you remove this section and keep it in a safe place.—Editor.





& P SCALE
D-J SCALE
60
50
40
30
20
600
500
400
300
200
100
0
DOW-JONES INDUSTRIALS
MONTHLY HIGH & LOW
STANDARD & POOR'S
500 STOCKS
MONTH-END PRICES
1920
1925
1930
1935
1940
1945
1950
1955

Divergence in the Dow-Jones

Selectivity Counts

AS ANY investor should know, "you can't buy the averages" but must choose specific stocks with their own individual movements. In the August 7, 1957 issue INVESTOR'S READER found although the Dow-Jones industrial average was then virtually identical with the 521.05 high of April 6, 1956, the 30 individual stocks were divided into two even camps: 15 were 2-to-21 points higher than when the average made its 1956 peak; the other 15 were 1-to-35 points lower.

In the year and a half since then, the average (after first dropping 100 points in the Fall of 1957) has shot to new highs some 70 points or 13% above the 1957 high. Nonetheless, as shown below, six of the stocks have actually declined since that date. Interestingly enough only one, Allied Chemical, was also among the 15 declining issues in the 1956-57 period.

Stock	Closing Price (Adjusted) July 12, 1957	Point Change Since Up	Point Change Since Down
Allied Chemical	98		4
American Can	44	6	
Amer Smelt & Rfg	62		13
Amer Tel & Tel	176	53	
Amer Tobacco	73	24	
Bethlehem Steel	50	3	
Chrysler	79		25
Corn Products	31	23	
Du Pont	201	16	
Eastman Kodak	112	39	
General Electric	72	8	
General Foods	48	28	
General Motors	47	4	
Goodyear	93	29	
Intl Harvester	35	7	
Intl Nickel	103		15
Intl Paper	108	11	
Johns-Manville	51	2	
Natl Distillers	26	6	
Natl Steel	78		3
Procter & Gamble	49	26	
Sears, Roebuck	27	12	
Std Oil of Calif	59	1	
Std Oil of NJ	68		10
Texas Company	74	11	
Union Carbide	123	3	
United Aircraft	53	7	
US Steel	71	27	
Westinghouse Elec	67	5	
Woolworth	43	11	

The other 24 Dow-Jones industrials are up from a few points for California Standard, Johns-Manville and Union Carbide to over 50 points for soon-to-be-split American Telephone. Telephone (usually considered a utility) all by itself added over 12 points to the rise in the industrial average; under the curious computing system used by Dow-Jones, a movement of 4¼ points by any of the 30 stocks means a one-point move for the whole average. But percentage-wise, Corn Products (up about 75%), General Foods (59%), Procter & Gamble (53%), Sears (44%) and several other stocks still outperformed Telephone's 32% rise.

Telephone was substituted for IBM in the Dow-Jones industrials in 1939. Had the change not been made, the subsequent spectacular stock action by IBM compared to Telephone's relative stability would have meant a rise of hundreds of points in the average. Curiously, this would have held true even in the recent period of rapid Telephone price gains since IBM's high-priced stock has shot up still faster. It gained 190 points since July 1957—nearly quadruple the AT&T point score.

ORMET ON STREAM

This bauxite-laden ship typifies the new era of doubly bustling activity which officially begins today for Burnside, La and aluminum producer Ormet Corp. The vessel is one of the first to unload its wares at the $15,000,000 Burnside Bulk Marine Terminal, built by the Baton Rouge Port Commission and leased by Ormet, a jointly owned subsidiary of chemical, drug & nuclear fuel specialist Olin Mathieson Chemical Corp and metal fabricator Revere Copper & Brass. The bauxite cargo is destined for Ormet's $55,000,000 alumina plant next door to the terminal. Today has been set for formal dedication of both plant and terminal.

The bulk terminal which can handle 4,800 tons of goods an hour, store 100,000 tons of materials, is a big thing for Burnside and Baton Rouge (30 miles north). In fact, sponsors hope the facility with its 3,000 extra acres available for industrial development will make Baton Rouge one of the busiest of Gulf ports. However it is but one part of the ambitious $285,000,000 program required for Ormet's early 1959 debut as the nation's newest and fourth largest aluminum producer. In addition the company has just about completed a 180,000-ton reduction plant near Clarington, Ohio (four of five potlines are in) which boasts its own two 225,000-kw generators (operated by Ohio Power). And Ormet has also bought a fleet of ore ships and barges.

With recent stable prices and an order pick-up, the aluminum outlook is improving though large increases in capacity still run ahead of near-term demand. But both Olin and Revere look to Ormet to brighten their future. Meantime Olin's 1958 earnings are estimated at a little less than $1 a share v $2.67 in 1957. However part of this drop was due to heavy non-recurring charges on its new aluminum, nuclear fuels and solid propellant programs. Revere profits for last year are also figured at around $1 a share, sharply below the $3.25 brought down the year before.

TOBACCO

Lorillard Laurels

FULLY PACKED in the carton-full of statistics in tobacco expert Harry M Wootten's annual *Printers' Ink* survey were some proud puffs for quarter-billion assets P Lorillard Company. Boasting the most spectacular growth record in the industry, the maker of Kent, Old Gold and Newport cigarets managed to bypass both Philip Morris and British-American Tobacco subsidiary Brown & Williamson (Viceroy, Kool) to take its place as the nation's No 4 tobacconist. Still ahead: new leader R J Reynolds (IR, November 26), American Tobacco, L&M.

Wootten estimates total 1958 sales of the five stockholder-owned leaders at \$3.7 billion, a 9% rise over 1957; combined net income of the Big Five flared even further, advanced 11% to \$200,000,000.

Lorillard's own gain was mainly sparked by the spurt in popularity of its "high-filtration" Kent brand which blazed to 36 billion units last year from 15 billion in 1957 and less than 3½ billion in 1956. Tenth in sales popularity a year ago, Kent pushed ahead of regulars Old Gold and Chesterfield, filter tips Marlboro, Viceroy and L&M to become the industry's No 5 brand and the second largest filter seller (regulars Camel, Pall Mall, Lucky Strike and filtered Winston maintained their hold on the top four spots). Kent naturally was helped by the continued phenomenal climb in filter popularity to 46% of the total cigaret market *v* 40% in 1957 and 30% in 1956.

The growth in the mentholated market also helped Lorillard. In 1958 smokers bought 2.6 billion Newports compared to roughly 900,000,000 the year before. Since the smoke which only received national distribution in September 1957 is still in its infancy, Lorillard hopes it may yet grow into a major seller.

Naturally enough this spurt in popularity has brought a glow to Lorillard financial results. While no 1958 year-end sales estimate is available (nine-month volume zoomed to \$353,000,000 *v* \$191,000,000 the year before) Wall Streeters figure profits at a spectacular \$8 a share compared to \$3.79 (on fewer shares outstanding) in 1957.

The company's common shares themselves proved one of the Big Board spectaculars of 1958, rose from a low of 32 last year to a record high of 89. They currently trade around 84.

Furthermore, while many companies in other industries cut or omitted dividends, Lorillard increased its quarterly payout three times: from 50¢ to 70¢ in July, 85¢ in October and \$1 in December. In addition it handed out a 95¢ extra to bring total 1958 dividends to \$4 compared to \$1.95 the year before.

However Harry Wootten points out the current industry filter tip trend may cool this year with some of the older straights regaining favor. Nevertheless he admits both the new high-filtration brands and the mentholated filter tips should continue to rack up volume increases—which would keep Lorillard in the smoke.

DEPLETION Extractive Industries Tax Rule Faces Congressional Review

THE SIXTEENTH AMENDMENT to the Constitution (adopted 1913) gives Congress the right to "collect taxes on income, from whatever source derived." It has always been a Federal policy however not to tax the capital which produces the income. This policy becomes a problem in the case of "extractive industries" whose capital is underground in the form of oil, gas, metal, coal, sulfur, sand or what-have-you. With every barrel pumped or ton mined, this capital is steadily being exhausted.

To allow for these wasting assets the income tax law of 1913 promptly granted a "reasonable allowance for depletion of ores and all other natural deposits." All subsequent laws made similar provisions. However they have also sparked an unending and frequently fiery debate as to whether depletion allowances are too high, too low—or even whether they are needed at all. Although all previous Congressional arguments ended with depletion allowances maintained or even expanded, the issue seems sure to ignite again in the 86th Congress, eager to find added revenues to balance the $77 billion-plus budget.

The basic principle of tax allowances for used-up capital or property applies also to the depreciation charged off by most every type of business. If a factory (or for that matter, a refinery or pipeline) required an original investment of $10,000,000 but will have only a salvage value of $200,000 some 30 years hence, the $9,800,000 difference represents capital used up in the manufacturing process and must be written off as one of the costs of production.

But mineral men quickly argue their case is different from ordinary depreciation which covers the wearing out of equipment used to make or sell products. With minerals, it is the product itself which is used up. While a manufacturer can stay in business by modernizing his old plant, the oilman or miner must go out and find new deposits, then get them into production. Hence, the tax treatment is based not on original cost (as in depreciation) but usually on current operating receipts.

The Case in Oil. For instance, oil and natural gas producers are permitted to write off 27½% of all gross income received from each producing property. A property which produces oil and

gas worth $100,000 at the wellhead is entitled to a deduction of $27,500. There is one limitation. The total depletion charge-off cannot come to more than half the pre-tax net income from the particular property. Thus, if it netted $10,000, it would be allowed to deduct only $5,000 or $22,000 less than its maximum available depletion allowance.

Most of the depletion debate centers on oil and gas because they are biggest in business volume, receive between two-thirds and three-quarters of the total depletion deductions for all extracting industries. The law provides for percentage depletion on about 100 other minerals at maximum rates ranging from 23% for sulfur, uranium and certain domestic ores to 15% for metal mines generally, 10% for coal and 5% for sand, peat, gravel and the like.

This schedule has caused anti-depletionists to argue the oil rate is too high and amounts to a "tax loophole," bringing excessive profits to a few big companies. Some Congressmen compare oil depletion to a direct subsidy. Though few advocate complete elimination of percentage depletion, many propose either a lower or a graduated scale of rates.

While the oil industry is generally believed to have a higher rate of return on investment than other industries, its profits are far from excessive when compared to manufacturing industries. New York's First National City Bank has compared the 1925-56 earnings of 90 oil and 1,600 manufacturing companies, found oil earnings averaged only 9.5% of invested capital v 10.6% for the manufacturers.

Expounds one oilman: "We have to reinvest about 56% of our net just to keep our head above water—that's more than any other industry. You couldn't say we make excessive profits."

Most of the money goes for exploration since finding new oil to replace used up reserves is an increasingly costly business. Only one out of every nine wildcats produces anything and just one in 49 taps a million-barrel pool, the minimum size normally needed for profitable operation. The cost of drilling a well rises as the well sinks. A 3,000-foot well will cost about $30,000 while a 20,000 footer can cost upwards of $1,500,000.

With the high cost of drilling getting higher, another oil tax expert argues "a depletion reduction might well cause the small fellows to sell out to the big and only pay the capital gains tax rather than be taxed a full 52% of all net income. Then the bigs

would get bigger." At present over 12,000 companies produce in the US. Even the biggest (Jersey) controls less than 6% of total production.

Petroleum Proposals. Some Congressmen have come up with a plan to weight the depletion allowance in favor of the small producer by a graduated rate. The full 27½% would be allowed on the first $1,000,000 of gross income; 20% on the next $4,000,000 and 15% on gross over $5,000,000. One likely effect: once a company began pumping over $1,000,000 worth of oil, it would be tempted either to reduce its exploration efforts or sell out. Comments Chicago oil accountant F J Blaise: "It would discourage growth * * * penalize companies which have prospered." He also notes the companies hit hardest have thousands of small stockholders while the below-$1,000,000 operators which would benefit by the plan are mostly rich individuals or closely held corporations.

Another proposal was recently reported by the *Wall Street Journal* to have the consent of many House leaders. It would eliminate the depletion allowance on foreign production. Advocates of this plan argue much the same as proponents of import quotas (IR, October 15): foreign production is too hazardous and likely to fall into unfriendly hands. Therefore US production should be encouraged at the expense of foreign operations.

Foreign depletion comes into play only when the foreign tax rate is less than the US corporate tax of 52%. In the case of a company paying a foreign tax of say 45% it would work this way. The corporation would prepare a US tax return much like any other oil producer. But it can list its foreign payment as a credit against its US bill. Without depletion, the 52% US rate would leave it with 7% still to be paid after meeting its foreign 45% obligation. But since depletion would cut the company's effective US rate below 45% it owes no tax to Uncle Sam—though of course it gets no refund on the "excess" it had to pay overseas. Many oilmen feel elimination of foreign depletion would lead "the foreign countries to raise their rates to the 52% level * * * they're not going to let the US get that extra tax."

Most common and oft-repeated Congressional proposal however is not to create different categories by size or source but simply to lower the rate for all oil producers to 15% or thereabouts. Actually the oil industry carefully points out its present

average depletion rate is not 27½% but works out closer to 23%. The reason is the half-of-net income stipulation which prevents companies owning properties with relatively low profit margins from deducting the full rate. As long as the half-of-net provision stands, any cut in the maximum rate would of course bring about a corresponding further decline in the actual percentage these companies are able to deduct.

Coal Clamor. Although most of the depletion dither is currently centered on oil, other industries have shared the limelight from time to time—sometimes with quite favorable results. An outstanding example is coal which was first brought under the percentage depletion schedule in 1932 with a 5% allowance. This rate appeared ample for the industry whose overall operations showed a net loss during the Thirties. Only a few companies earned enough to take any deduction at all. But when the industry began to mine in the black during War II, coalmen not only were in position to use the full 5% allowance, they wanted more. Their campaign culminated in 1951 when the coal rate was doubled to its current 10%. Though not many companies now earn enough to take advantage of a still higher rate, the industry is once again crusading for a bigger allowance in anticipation of what it hopes will be a prosperous future.

Certain defense minerals had their year in 1954 as Congress upped from 15% to 23% the depletion rate of 17 strategic metals and the ores of 19 others. Because the move was designed to spur domestic production of materials vital for national defense, the upped rate did not apply to overseas production.

Cement Mixup. In another instance, the effective depletion allowance has been upped not by Congressional action but by judicial interpretation. This is the much-quoted but little-amplified Dragon Cement case. Because cement is a processed product and not directly extracted from the ground it is not included on the Government's depletion schedule. However a 15% allowance is granted on limestone and cement rock, the two most frequently used raw materials. Consequently producers could compute their 15% deduction not on the finished product but only on the value of the limestone or cement rock at the kiln.

A few years ago New England producer Dragon Cement Company filed suit to change this. A user of cement rock, Dragon argued this raw material had no market value whatever at the

kiln, became marketable only when made into cement. Therefore Dragon asked for depletion to be computed on the basis of finished cement prices rather than the price of the rock at the kiln stage. Dragon won in the lower courts and in 1957 the Supreme Court refused to review the case, cementing the company's victory.

Dragon has since been merged into American-Marietta Company of Chicago but repercussions of the case go on. Last Fall Dragon collected $2,500,000 back taxes resulting from the new way of computing depletion. Other cement companies quickly tried to adopt the Dragon method, revised their earnings upwards by 15-to-25% in 1957. Thus Ideal Cement added 57¢ to reach $4.15 a share and Penn Dixie figured on an extra 36¢ to make $2.14 a share.

Because the final effect on the cement industry is still far from settled, however, many more conservative companies such as General Portland, Missouri Portland and Consolidated Cement are still computing depletion on the old method. The Dragon decision was narrow and applied only to cement rock. Some 65 additional decisions have provided fuller interpretation of the very complicated issues of the Dragon case. A big question now is whether this same treatment will be applied to limestone (used by most cement companies outside New England and Pennsylvania's Lehigh Valley) or limestone-cement rock combinations since there are other markets for limestone than in cement production.

The Dragon implications also extend far beyond cement. For instance, clay also has no value until processed, a point which could liberalize depletion deductions for such companies as Pacific Clay and Gladding McBean.

In any case, Dragon brings more calls for new depletion action by Congress. Treasury Secretary Anderson last year commented the Dragon decision results in excessively large deductions and asked for legislation spelling out just who can compute which way. While the questions of what qualifies for depletion, what rates should prevail for each industry (with special attention to oil), not to mention the basic arguments about depletion principles will undoubtedly fill many pages of the *Congressional Record,* whether & when Congress will act is anyone's guess. A cementman sums up the outlook: "Uncle Sam hasn't decided yet and he probably won't until sometime in the far future."

BANKING

Champion of the Chase

Billion Dollar Banker Branches Into New Services To Post Commanding Totals

LEANING back from the large walnut desk in his paneled, red-draped inner sanctum, George Champion smiled, admitted: "I always had banking in the back of my mind but I had no idea I'd end up in this position." The position is president and a chief executive officer of $8.3 billion-assets Chase Manhattan Bank, which ranks second only to California's state-wide Bank of America among all the nation's banks. First in its Wall Street (actually Pine Street) preserve Chase also claims the title of No 1 leader to industry with "more commercial business than any other bank in the world."

Illinois-born Champion acted on the prompting in the back of his mind as soon as he graduated from Dartmouth in 1926. He went to work for New York's National Bank of Commerce, three years later joined the Equitable Trust Company; when Equitable merged with Chase National Bank in 1930 he continued as an assistant cashier. In 1931 George Champion left "The Bank" but not banking, went South as a vice president of New Orleans' Canal Bank & Trust Company. But two years later he returned to Chase as second vice president for the Southeastern district. Working his way up through the vice presidential hierarchy he became a full vp in 1939, a senior vp in 1949 and an executive vice president when Chase merged the Bank of the Manhattan Company in 1955. Two years later he moved up to president.

President Champion's responsibilities include the bank's $3.9 billion loans, $7.3 billion deposits, an "immense volume" of trust business, an investment portfolio worth $1.9 billion and the welfare of 14,000 employes plus an even 100,000 (give or take a few hundred) holders of the bank's 13,090,000 common shares. Like all major bank stocks, Chase Manhattan is traded actively over-the-counter. The recent price around 59 reflects a smart recovery from the recession low of 43 in late 1957, is almost back to the 1955 post-Depression high of 63. The stock has doubled since the early Fifties, quadrupled since its Depression low. But it is nowhere near the adjusted high of 228 posted in giddy 1929.

Chase has a solid record of 80

New Chase Manhattan home

years uninterrupted dividends (the Bank of Manhattan continuous dividend account dated back to 1848). Payments have risen gradually over the past 20 years to the present $2.40 annual rate.

Big Board. Providing top level guidance for this multi-billion bank are 25 (including George Champion) members of the board of directors which is headed by chairman John J McCloy (onetime High Commissioner to West Germany) and vice chairman David Rockefeller. The full roster of directors reads like a Who's Who in Business, includes such corporate luminaries as Continental Can chairman Lucius Clay, Travelers Insurance president Doyle DeWitt, Metropolitan Life Insurance chief Frederic Ecker, Standard Oil (NJ) chairman Eugene Holman, AT&T president Frederick Kappel, National Lead head Joseph Martino, Equitable Life president James Oates, Cerro de Pasco chairman Frank Russell, American Airlines chief Cyrus Rowlett Smith, Standard Oil of Indiana chairman Frank Prior—to name a few.

In addition there are eleven "little boards" composed of large & small businessmen in various New York City areas. They serve as regional advisory committees in Chase's metropolitan branch set-up. On the operating level, the Chase Manhattan lists six executive vice presidents, 140 vice presidents, 175 assistant vps.

Chase Manhattan operations fan out from 18 Pine Street headquarters to 98 branches in the five New York City boroughs. It also runs 20 offices overseas not counting a new subsidiary in Johannesburg, South Africa due to open next month if official okay is received. To bring its name & fame before prospective customers everywhere, the bank spends some $2,400,000 a year on advertising. A goodly share of this budget goes into a colorful campaign to prove banks in general are far from stuffy. It shows how Chase helps finance specific industries, aims to encourage everyone from big businessmen to small local dealers to "talk to the people at Chase Manhattan."

Dollar Dynamics. Indeed a talk with George Champion proves the people at Chase are far too occupied with the dynamics and controversies of modern day banking to be stuffy. They are eager to maintain their lead (in most but not all categories) over neighbor First National City Bank. In deposits, Chase led First National City by $258,000,000 as of year end. In loans Chase was $147,000,000 ahead. Chase also outdistanced National City in total resources by $242,000,000. However National City topped Chase in capital funds, $748,000,000 to $631,000,000.

Of course, in the operation of billion dollar banks, millions change quickly and both leaders must work hard to maintain their totals in the face of aggressive competition not only from each other but also from a host of other almost-as-big Wall Street bankers not to mention mutual savings banks, savings & loan institutions and other money merchants. George Champion parries expertly: "We like to do the best job, not just be the biggest."

This "best job" is perhaps more demanding in banking than in industry. Banks must depend on selling service rather than on a popular brand name or prestige product. George Champion elaborates: "When we say 'selling service' we don't mean a bank is just like a post office; the important thing is the way a bank uses its ability—collection of checks, extension of credit, etc—to take care of its customers. No industry in the world does such a personalized business. The real answer to service is a personal customer relationship."

Typical of Chase Manhattan service alertness is its new charge plan, the first such system in New York City. This "service to small business" enables card holders to charge goods at some 4,000 shops and more are being added daily. Chase chargers get one single monthly bill. If they settle within ten days, there is no surcharge. However they can switch automatically to a revolving credit account (with a 1% monthly interest charge), pay one-fifth each month over a maximum five-month period.

The charge plan is primarily designed to enable small neighborhood merchants to offer charge accounts in competition with big department stores and give consumers an opportunity to do most of their shopping around home. In return for handling the accounts and extending prompt payment to the store, Chase gets a 6% service fee from the merchant (with provision for a volume rebate). Comments charge chief Champion: "We're mechanically set up to handle this without much added cost; we can give extra service to small retailers and consumers and make money at the same time."

Other special services for business, large & small: remittance banking whereby the bank converts customer sales receipts into cash balances without transit delays; a freight payment plan under which the bank performs direct clearing and settlement service for carriers, shippers and receivers.

In general, George Champion expects the bank's all important commercial business will "grow with industry. We will remain a great reservoir of credit despite business decentralization, which is the greatest single deterrent to our growth." With 4,000 correspondent banks across the US, Chase is dead set against large money center banks following their decentralizing customers across the country. Moneyman Champion insists: "We believe in independent banking; we are unalterably opposed to a concentration of nationwide branch banking. An independent bank knows the needs of the community and these banks are doing a better job every year. They're better able to fill a bank's primary responsibility of providing good, inexpensive service in the community not for the few but for everybody."

Branch Battles. It is on this community bank principle that George Champion runs the 98 New York City branches. Every area is treated as a community with special characteristics, has an advisory

Chase customers at 18 Pine . . .

committee of local businessmen to help with local situations. Business at the branches is handled much as at the "Main Street National" with an assist from the resources of the whole organization on really big deals.

Expansion of its branch operations are vital to both Chase's lucrative retail business and overall deposit growth. As a result, Chase is "always studying new branches." Late this year a new Chase Manhattan office will open in the newly commercialized area at 55th and Park Avenue. The bank has also merged to gain established branches in key locations. In July 1957 it acquired the Staten Island Bank & Trust to gain a five-branch entry into New York's fifth borough. Now in the works is a proposal to merge $39,000,000-deposits Clinton Trust, add four prime locations on Manhattan's redeveloping West Side.

But while disinterested in nationwide branch banking, Chase is eager to follow its customers into the burgeoning suburbs. However New York state banking regulations forbid city banks to open branches beyond the city line. The Federal Reserve Board concurred with the state regulations, vetoed rival First National City's move to suburbia via a holding company combine with Westchester's County Trust. George Champion holds: "I feel we should have the privilege of expanding into the suburbs but I favor branch banking expansion, not holding companies." A constant source of legislative rhubarbs but little action for years, the branch banking question is again before the New York legislature this year. One possibility hoped for by Chase and other leading big town banks: extension of bank district boundaries to include at least some suburban counties in the New York metropolitan area.

Late last year, in a move many feel was designed to place it exclusively under the more lenient regulation of the Comptroller of the Currency, First National City announced it was seeking a national bank charter for its currently state-chartered trust affiliate, City Bank Farmers Trust. Regardless of this move by its rival, Chase has "no plans to switch its charter." As a matter of fact, Chase had given up its old national charter in 1955 and technically merged into Bank of Manhattan to inherit that bank's famed and ancient state charter.

Moneyed Transactions. Way back in 1799 the Manhattan Company was organized for the primary purpose of constructing a water sup-

ply system for New York City. In preparing the charter Aaron Burr cannily added to the document a clause permitting the company to use capital not required by the water project "in the purchasing of public or other stocks or in any moneyed transactions." The new company quickly did just that, opened a banking office on Wall Street. The Bank of the Manhattan Company pioneered such now standard banking practices as check endorsement, a credit department, the correspondent bank relationship.

A relative upstart, Chase National was not founded till 1877 but by 1921 it had grown into the nation's No 2 bank. It contributed $5.9 billion resources to the 1955 merger compared to $1.6 billion for Manhattan.

While happy with its venerable "almost anything goes" charter, the bank does not plan to use the broad powers of the instrument for other financial operations. George Champion insists with a smile: "Our job is to be a commercial bank; that's a big job and I don't feel we should go beyond it. We have no intentions of going back into the water supply business."

In their imposing growing-up process, Chase and Manhattan have many times outgrown their simple banking office beginnings. Now the merged bank is bursting out of its present nine-building headquarters set-up. The result: the $100,000,000 Chase Manhattan building now going up in the heart of the financial district. This "most ambitious building project ever planned in the downtown area" will add a towering 60-story aluminum and glass skyscraper to the Wall Street skyline and a two-acre plaza (complete with airwell and sunken pool) to open a chink in the famed canyons. The old main office building which will stand in one corner of the two-block site was sold to the Chemical Corn Exchange Bank. Work on the new building started in 1956. By now the steelwork is eight stories up and architect Champion anticipates: "In four to five years, trees will be growing and fish swimming in the plaza."

However, busy banker Champion will undoubtedly be as hard pressed to spend as much time as he would like in his new office as he is in his current Pine Street bailiwick. He can however find time for such worthy but relaxing functions as entertaining newsboys from his hometown of Bloomington, Ill and supplying them with latest Chase Manhattan headlines (see cover).

Many hours are spent on civic

. . . and Bayside, LI branch

and industry tasks. He is president of the Association of Reserve City Bankers, holds important posts in five other major banking groups. He serves as a director of American Smelting & Refining, Southern Railway, Travelers Insurance Companies, Discount Corp of New York, is a trustee of Tuskegee Institute, holds membership in some ten business and social clubs. In his rare spare time president Champion relaxes with golf or bridge, sometimes in the company of another golf & bridge-loving chief executive, Dwight David Eisenhower.

Debits & Credits. Progressive George Champion typifies the conservative banker in at least one respect—his concern for the economy. Although he feels this will be a good business year, he is "deeply disturbed about our pricing ourselves out of world markets." What is more, he "believes it would be healthier if this country's general debt structure didn't go up but savings increased instead."

However, both the credit and savings climate continue healthy for the Chase Manhattan bank. At year end, loan totals were about $60,000,000 above the year before. In fact, Chase reports its business loans increased in the last few months of 1958, counter to the trend of other city banks. But banker Champion expects "no great increase this year unless there is a change in the business inventory pattern or price structure."

Deposits are "up [7%] over a year ago." The bank's loans now stand at a little over 50% of deposits—still below the 60% of the tight money days of early 1957 and well below the heavily loaned 85-to-90% of the Twenties. "We'd not like to get up that high." President Champion expects to maintain the current loan level while "interest rates should remain firm."

Hence, results this year "should not be too far away" from the net operating earnings of $55,600,000 or $4.25 a share brought down in 1958 *v* $55,500,000 or $4.24 a share in 1957. Other Wall Streeters feel this "not too far away" should be on the upside however. If interest rates on loans and Government & municipal holdings remain firm or rise a bit, results should compare satisfactorily with last year—since 1958 included an easy money period of lower yields.

In any case, president Champion feels earnings growth will be sufficient to nourish the bank's capital fund needs. He states resolutely: "We have no need whatsoever to sell additional capital stock now."

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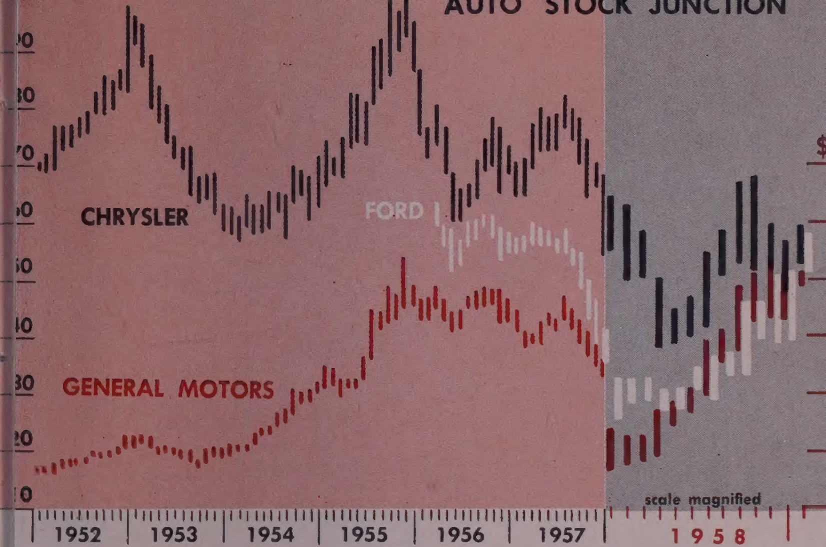

A mere $2 separated all three leading auto stocks at 1959's opening prices. However this unprecedented traffic jam on Market Street near the $50 intersection leaves a wider gap than ever among the Big Three in total corporate market value since industry titan GM has 280,000,000 shares outstanding, five times more than Ford and 32 times Chrysler.

All the stocks have zigzagged along with auto fortunes. But the net result has pushed GM (adjusted for a 3-for-1 split in 1955) to triple its 1952 level while Chrysler is some 25% below the price it commanded seven years ago. Furthermore, GM has climbed back within touching distance of its November 1955 alltime high of 54 while Chrysler trades at barely half its 1955 peak of 101. Ford also remains well below the mid-sixties level prevailing when its newly offered stock was first listed on the Big Board in March 1956; however it has recovered sharply from its low of 36 in late 1957.

GM's superior stock performance in 1958 reflected its ability to suffer least in what was a bad auto year for everyone but the small car boys. Its US passenger car output dropped only 23% to 2,200,000 as against declines of 34% for Ford and 52% for Chrysler. This enabled GM to enjoy a considerably larger slice of the smaller pie; its share of the total US passenger car market rose from 46% in 1957 to over 51% last year. At the same time Chevvy was able to regain the No 1 car spot it had lost to Ford the year before.

The only automaker to have completely restyled all its '59 cars, GM is also in a strong competitive position for the year ahead. However Ford and Chrysler are exerting strong efforts to share in the expected improvement of the 1959 auto market while looking ahead to major restyling for their '60 models.

AHOY! AHOY!

Hard as it is to believe, "Ahoy! Ahoy!" was the greeting used when the telephone first came into everyday use in New Haven, Connecticut, back in 1878.

This nautical salute was soon replaced by the more prosaic "Hello," and we're a little bit sorry about it. Why? Well, once people have opened accounts with us (a very simple procedure, by the way), they usually deal with us by telephone. And we think life would be a little livelier if people were to dial our number and say, "Ahoy! Ahoy! Buy 100 GE for me."

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